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TAGS: [ECON](#) [ETRD](#) [EFIN](#) [CU](#) [SF](#)

SUBJECT: SOUTH AFRICA WRITES OFF CUBA'S DEBT

REF: (A) 07 PRETORIA 04083 (B) 07 PRETORIA 01826

Classified By: Economic Counselor Perry Ball for reasons 1.4(b) and (d)

¶1. (C) Summary. The South African government has written off nearly one billion rand (about \$130 million) of Cuban debt. The government does not believe that Cuba is able to meet its obligation in the foreseeable future. The South African Department of Trade and Industry (DTI) pressed Cabinet, over National Treasury's objections, to forgive the entire debt, including interest, in the hopes of re-energizing the bilateral trade relationship. The DTI plans to send a trade delegation to Cuba in November 2008 to take advantage of the debt forgiveness. End Summary.

¶2. (U) The South African government (SAG) has written off 926.8 million rand (about \$130 million) of Cuban debt, according to an article in Business Day on April 18. SAG chief spokesman Themba Maseko was quoted as saying that Cuba is not in a position to meet its obligations to the SAG in the foreseeable future. The debt arose from insurance coverage provided to Cuba by the SAG's Export Credit Insurance Corporation for the export of diesel engines and pesticides in 1996.

¶3. (U) "The Cuba debt position has the potential to undermine bilateral economic relations and distracts the two countries from the pursuit of mutually beneficial relations in areas such as biotechnology, pharmaceuticals and the eradication of TB and malaria in Africa, and the strengthening of south-south relations," Maseko said. As reported reftels, Cuba and South Africa have several bilateral economic agreements and mechanisms (including the Joint Binational Commission for Economic, Scientific, Technical and Commercial Cooperation, which meets annually), a range of exchange programs, and a trade agreement signed in ¶1997.

¶4. (C) According to the Department of Trade and Industry's (DTI) Americas Desk Manager Cobs Pillay, DTI pressed the South African Cabinet, over National Treasury's objections, to forgive the entire debt, including interest, in the hope of re-energizing the moribund bilateral trade relationship. Pillay noted that Cuba had made only small payments against the debt since the 1990s, and would be unable to pay much more. Pillay previously told Trade and Investment Officer that repayment of the debt was the main purpose of a DTI trade delegation that visited Cuba in October 2006. The South African Export Credit Insurance Corporation wanted to press Cuba by raising the debt issue in the Paris Club, but was overruled by DTI's political leadership (Ref A). According to Pillay, DTI plans to send a trade delegation to Cuba in November 2008 to build up trade relations following the debt forgiveness.

15. (U) Comment: Trade with Cuba is a minuscule portion of South Africa's total exports and imports (Ref A). However, the African National Congress feels an emotional and ideological bond to Cuba because of the support it received from Castro during the struggle against apartheid. End Comment.
BOST